

Form E-500 Sales and Use Tax Return
General Instructions

1. Use Form E-500 to file and report North Carolina State, local, and transit sales and use taxes except certain sales and use taxes required to be reported on Form E-500E. **Taxpayers who have a filing frequency of Monthly with Prepayment are required to file Form E-500** via our Online Filing and Pay System via our website, www.ncdor.gov.
2. You must file a tax return for each filing period on or before the file by date. If you do not file on time, you will receive a delinquent notice and may owe penalty and interest. If you do not owe any tax for a filing period, you must file a return and enter zero (0.00) on Line 21. Do not write "No Tax Due" or any similar text on the return.
3. Complete the Sales and Use Tax Return in its entirety.
4. If the ownership of your business changes, the new owner must submit a new registration application to obtain a new sales and use tax account number.

If you discontinue business operations or sell your business, complete Form NC-BN, Out-of-Business Notification, you can now complete and submit the Form NC-BN online at www.ncdor.gov, or you can mail the paper Form NC-BN separate from any return to the address shown on the form.

5. The total amount of receipts exempt from State tax should be included on Line 3. Retail sales of taxable tangible personal property, taxable services and certain digital property are subject to sales and use tax unless specifically exempt from tax by statute and you maintain proper exemption documentation in your records.
6. Taxable items purchased to fulfill a lump-sum or unit-price real property contract entered into or awarded to a real property contractor pursuant to a bid made on or after the effective date of a tax rate increase are subject to the increased tax rate. Taxable items purchased on or after the effective date of the tax rate increase to fulfill a lump sum or unit-price real property contract (sourced to the county in which the tax rate increase occurred) entered into prior to the effective date of the tax rate increase, or entered into or awarded pursuant to a bid made before the effective date of the tax rate increase, are subject to the lower tax rate.
7. As of October 1, 2022, the local sales and use tax rates are as follows:

Local Rate	Transit Rate	Combined Transit and Local Rate	County
2.00%	-	2.00%	All counties not listed in this chart.
2.25%	-	2.25%	Alexander, Alleghany, Anson, Ashe, Bertie, Buncombe, Cabarrus, Catawba, Chatham, Cherokee, Clay, Cumberland, Davidson, Duplin, Edgecombe, Forsyth, Gaston, Graham, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Jones, Lee, Lincoln, Madison, Martin, Montgomery, Moore, New Hanover, Onslow, Pasquotank, Pitt, Randolph, Robeson, Rockingham, Rowan, Rutherford, Sampson, Stanly, Surry, Swain, and Wilkes
2.00%	.50%	2.50%	Mecklenburg and Wake
2.25%	.50%	2.75%	Durham and Orange

8. A retailer or facilitator required to collect county tax should do so based on the sourcing provisions in N.C. Gen. Stat. § 105-164.4B.

The following general principles apply in determining where to source the sale of most items for the retailer or facilitator's purpose and do not alter the application of the use tax imposed on the purchaser. These principles should be used to determine the applicable local and transit rates of tax due on a retail sale. Except as otherwise provided, a service is sourced where the purchaser can potentially first make use of the service.

- (a) When a purchaser receives an item at a business location of the seller, the sale is sourced to that business location.
- (b) When a purchaser or purchaser's donee receives an item at a location specified by the purchaser and the location is not a business location of the seller, the sale is sourced to the location where the purchaser or the purchaser's donee receives the item.
- (c) When (a) and (b) of this section do not apply, the sale is sourced to the location indicated by an address for the purchaser that is available from the business records of the seller that are maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith.

- (d) When (a), (b), and (c) of this section do not apply, the sale is sourced to the location indicated by an address for the purchaser obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith.
- (e) When (a), (b), (c), and (d) of this section do not apply, including the circumstance in which the seller is without sufficient information to apply the rules, the location will be determined based on the following:
- Address from which tangible personal property was shipped,
 - Address from which the certain digital good or the computer software delivered electronically was first available for transmission by the seller, or
 - Address from which the service was provided.

The following are exceptions to the general sourcing rules:

- Florist wire sale - sourced to the business location of the florist that takes an order for the sale.
- Periodic rental payments - sourced in accordance with N.C. Gen. Stat. § 105-164.4B(b).
- Certain digital property - sourced to the location where the purchaser takes possession of the property or makes first use of the property, whichever comes first.
- Admission charge to an entertainment activity - sourced to the location where admission to the entertainment activity may be gained by a person. If the location where admission may be gained is not known at the time of the receipt of the gross receipts for an admission charge, the general sourcing principles apply.
- Direct mail - sourced in accordance with N.C. Gen. Stat. § 105-164.4E.
- Service Contract - If the purchaser can potentially make first use of the service at the location of the sale, the sale is sourced to the location of the sale of the service contract. If the purchaser of the service contract cannot potentially make first use at the location where the service contract is sold, the sale is sourced in accordance with N.C. Gen. Stat. § 105-164.4B(a)(3), (4) or (5) based on the hierarchy and available address.
- Prepaid meal plans - sourced to the location where the food or prepared food is available to be consumed by the person.
- Rental of an accommodation - sourced to the location of the accommodation.
- Renewal of a Service Contract for prewritten software - Normally, sourced in accordance with the general sourcing principals. However, sourcing to the location where the purchaser received the underlying prewritten software does not constitute bad faith provided the retailer has not received information from the purchaser that indicated a change in location of the underlying software.

9. You must complete and file Form E-536 if you collect and remit tax for either:

- more than one county or
- a county other than the county in which your business is located.

You may file Form E-536 online at www.ncdor.gov. If you file a paper return, you may print the form from www.ncdor.gov or request a copy be mailed to you.

10. You must pay the tax due when your return is due. If you do not pay the tax due on or before the file by date, you will owe penalty and interest.

You must pay in U.S. dollars. Unless you are required to pay electronically, you may pay by check or money order drawn on a U.S. (domestic) bank. Make any check or money order payable to the North Carolina Department of Revenue and write your account number and tax period in the memo section. Do not mail cash, stamps, or postdated checks.

11. Sign each return and payment, unless you are required to file and pay electronically or you elect to file and pay online.

How to Prepare Return: Specific Line and Column Instructions

Line 1 - NC Gross Receipts: Enter the amount of gross receipts from your business operations in North Carolina that are sourced to North Carolina. **Do not include any sales and use taxes collected. You are not required to include gross receipts from real property contracts.**

Line 2 - Sales for Resale: Enter the total amount of sales of items sold for resale, sublease, or subrent. **Do not include this amount on Line 3 or later lines.**

Line 3 - Receipts Exempt From State Tax: Enter the total amount of sales and gross receipts exempt from State sales and use tax. Do not include sales entered on Line 2. Examples of sales exempt from sales and use tax include:

- Direct sales to the U.S. Government;
- Sales of certain items to a qualifying or conditional farmer
- Sales of food sold under the Supplemental Nutrition Assistance Program (SNAP) and the Special Supplemental Nutrition Program;
- Sales of drugs required by federal law to be dispensed only on prescription and over-the-counter drugs sold on prescription, but not pet foods or feed for animals;
- Sales of mill machinery to a manufacturing industry or plant;
- Sales of food exempt from the State rate of tax but subject to the local 2% rate of tax;
- Receipts that exceed the maximum taxable receipts from the sale of a boat or aircraft;
- Fifty percent (50%) of the sales price of a modular home or manufactured home sold at retail.

Purchases for Use Column - Lines 4 through 7:

On Lines 4-7 of the "Purchases for Use" column, you should enter the total purchase price of taxable items you purchased inside or outside of North Carolina for storage, use, or consumption in North Carolina from vendors on which the State rate of tax was not collected by the vendors. Do not include items you purchased for resale. Enter the amount on the appropriate line as follows:

- Line 4 -** Enter the amount from your taxable purchases of items not subject to another rate of State tax.
- Line 5 -** Enter the amount from your taxable purchases of boats. The maximum taxable purchase price of each boat, including all accessories attached at the time it was delivered to you, is \$50,000.
- Line 6 -** Enter the amount from your taxable purchases of modular homes. The taxable amount is fifty percent (50%) of the purchase price of each modular home, including all accessories attached when delivered to you.
- Line 7 -** Enter the amount from your taxable purchases of manufactured homes. The taxable amount is fifty percent (50%) of the purchase price of each manufactured home, including all accessories attached when delivered to you.

Purchases for Use Column - Lines 8 through 10:

On Lines 8-10 of the "Purchases for Use" column, you should enter the total purchase price of taxable items you purchased inside or outside North Carolina for storage, use, or consumption in North Carolina from vendors on which the appropriate county rate of tax was not collected by the vendors. Do not include purchases of an aircraft, a manufactured home, a modular home, or a qualified jet engine. Enter the amount on the appropriate line as follows:

- Line 8 -** Enter the amount of your purchases of food products exempt from State tax, but subject to the local 2% rate of food tax. Do not include these purchases on lines 9, 10, or 11.
- Line 9 -** Enter the amount of your purchases for storage, use, or consumption in a county imposing a 2% local rate of tax. Counties imposing a 2% local rate of tax are all counties other than those listed for Line 10.
- Line 10 -** Enter the amount of your purchases for storage, use, or consumption in a county imposing a 2.25% local rate of tax. The counties imposing a 2.25% local rate of tax are: Alexander, Alleghany, Anson, Ashe, Bertie, Buncombe, Cabarrus, Catawba, Chatham, Cherokee, Clay, Cumberland, Davidson, Duplin, Durham, Edgecombe, Forsyth, Gaston, Graham, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Jones, Lee, Lincoln, Madison, Martin, Montgomery, Moore, New Hanover, Onslow, Orange, Pasquotank, Pitt, Randolph, Robeson, Rockingham, Rowan, Rutherford, Sampson, Stanly, Surry, Swain, and Wilkes.

Purchases for Use Column - Line 11:

Enter the total amount of your purchases that were purchased for storage, use, or consumption in a county imposing a 0.5% transit tax and on which the county transit rate of tax was not collected by the vendors. Durham, Mecklenburg, Orange, and Wake currently impose a 0.5% transit rate of tax. Generally, purchases included on Line 11 should also be included on Lines 9 or 10.

Receipts Column - Lines 4 through 7:

On Lines 4-7 of the "Receipts" column, you should enter the total amount of your taxable receipts, rentals, and sales, excluding the amount of tax collected. Enter the amount on the appropriate line as follows:

- Line 4 -** Enter the amount of your taxable receipts, rentals, and sales not subject to another rate of State tax.

- Line 5** - Enter the amount of your taxable receipts, rentals, and sales of boats. The maximum taxable sales price of a single boat, including all accessories attached at the time it was delivered to the purchaser, is \$50,000.
- Line 6** - Enter the amount of your taxable receipts, rentals, and sales of modular homes. The taxable amount is fifty percent (50%) of the sales price of each modular home, including all accessories attached when delivered to the purchaser.
- Line 7** - Enter the amount of your taxable receipts, rentals, and sales of manufactured homes. The taxable amount is fifty percent (50%) of the sales price of each manufactured home, including all accessories attached when delivered to the purchaser.

Receipts Column - Lines 8 through 10:

On Lines 8-10 of the "Receipts" column, enter the total amount of your taxable receipts, rentals, and sales subject to county tax, excluding the amount of tax collected. Do not include receipts from the sale of an aircraft, a manufactured home, a modular home, or a qualified jet engine. Enter the amount of receipts on the appropriate line as follows:

- Line 8** - Enter the total amount of your taxable receipts, rentals, and sales of food products exempt from State tax, but subject to the local 2% rate of food tax. Do not include these receipts, rentals, and sales on Lines 9, 10, or 11.
- Line 9** - Enter the total amount of your taxable receipts, rentals, and sales sourced to a county imposing a 2% local rate of tax. Counties imposing a 2% local rate of tax are all counties other than those listed below for line 10.
- Line 10** - Enter the total amount of your taxable receipts, rentals, and sales sourced to a county imposing a 2.25% local rate of tax. The counties imposing a 2.25% local rate of tax are: Alexander, Alleghany, Anson, Ashe, Bertie, Buncombe, Cabarrus, Catawba, Chatham, Cherokee, Clay, Cumberland, Davidson, Duplin, Durham, Edgecombe, Forsyth, Gaston, Graham, Greene, Halifax, Harnett, Haywood, Hertford, Jackson, Jones, Lee, Lincoln, Madison, Martin, Montgomery, Moore, New Hanover, Onslow, Orange, Pasquotank, Pitt, Randolph, Robeson, Rockingham, Rowan, Rutherford, Sampson, Stanly, Surry, Swain, and Wilkes.

Receipts Column - Line 11: Enter the total amount of your taxable receipts, rentals, and sales entered on Lines 9 and 10 that are sourced to the any of the following counties: Durham, Mecklenburg, Orange and Wake.

Tax Column - Lines 4 through 11:

Calculate the tax amount for each line by adding the "Purchases for Use Amount" to the "Receipts Amount", then multiply the sum by the tax rate printed in the "Rate" column. Enter the amount in the "Tax" column. You can avoid calculating the tax amount by filing online at www.ncdor.gov. The file and pay system calculates the tax amount for you.

- Line 4** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 4.75% (.0475) and enter the amount in the "Tax" column.
- Line 5** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" Column. Next, multiply the sum by 3% (.03) and enter the amount in the "Tax" column.
- Line 6** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 4.75% (.0475) and enter the amount in the "Tax" column.
- Line 7** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 4.75% (.0475) and enter the amount in the "Tax" column.
- Line 8** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 2% (.02) and enter the amount in the "Tax" column.
- Line 9** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 2% (.02) and enter the amount in the "Tax" column.
- Line 10** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by 2.25% (.0225) and enter the amount in the "Tax" column.
- Line 11** - Add the amount in the "Purchases for Use" column to the amount in the "Receipts" column. Next, multiply the sum by .5% (.005) and enter the amount in the "Tax" column.

Example: Business A enters 100.00 in the "Purchases for Use" Column of Line 4 and 900.00 in the "Receipts" column of Line 4. Business A should enter 47.50 in the "Tax" column of Line 4. (100.00+ 900.00 = 1,000; 1,000 x .0475 = 47.50.)

Line 12 - 0.25% County Transit Rate: Do not use this line. No county has levied this rate of tax. If this changes, the Department will publish a notification.

Line 13 - Total State and County Tax: Add the amounts on Lines 4 through 12 of the "Tax" column and enter the sum.

Line 14 - Excess Collections: If you collected more tax than was due from a customer on a sale, enter the total amount of your excess collections. See N.C. Gen. Stat. § 105-164.11 for additional information.

Line 15 - Total Tax: Add the tax amounts on Lines 13 and 14, and enter the sum.

Line 16 - Penalty: Enter the sum of the penalties that apply to you.

If you file a return after the due date, multiply the tax amount shown on Line 15 by 5% (.05) for each month, or part of a month, that the return is filed late. The maximum Failure to File Return penalty is 25% of the total tax.

If you do not pay the tax when due, multiply the tax amount shown on Line 15 by 5% (.05).

Line 17 - Interest: If you do not pay the tax when due, compute interest on the tax amount shown on Line 15. The interest rate is currently 7% per year or .583% per month through June 30, 2023. The interest rate for the period July 1, 2019 through December 31, 2022 was 5% per year or .417% per month. Check the Department's interest rate webpage or contact the Department for current or past interest rates. .

Line 18 - Less Prepayment for This Period: This line is for taxpayers who are consistently liable for at least \$20,000 of tax per month who have made a prior prepayment. If you are required to make a prepayment, you must file and pay electronically.

Line 19 - Prepayment for Next Period: This line is for taxpayers who are consistently liable for at least \$20,000 per month. If you are required to make a prepayment, you must file and pay electronically. Prepayment is due with the return for the prior month. The prepayment must equal at least 65% of any of the following:

- (1) the amount of tax due for the current month,
- (2) the amount of tax due for the same month in the preceding year, or
- (3) the average monthly amount of tax due in the preceding calendar year.

Line 20 - Less any Credit: If you are allowed a credit for sales and use tax previously paid, enter the amount of tax credit claimed. You must include with your return a detailed explanation of the credit. If you are requesting a refund of an overpayment of tax, you are encouraged to file Form E-588, Business Claim for Refund State, County, and Transit Sales and Use Taxes, instead of taking a credit on a sales and use tax return.

Line 21 - Total Due: Enter the total amount due by adding Lines 15, 16, 17, and 19, and subtracting any prepayment on Line 18 and any credit amount on Line 20. This amount is due on the due date of the return. Pay this amount.

Do not fold your return or payment.

Signature and Verification: You must sign and date your return. You should also include your title and phone number in the spaces provided.

Additional information about sales and use tax may be obtained from the Department's website, www.ncdor.gov.



Sales and Use Tax Return, Form E-500 Preparation Checklist

Use the following checklist to assist in preparing and submitting your paper tax return. This checklist should assist to eliminate common errors and result in efficient processing by the Department. To eliminate common filing errors, consider filing sales and use tax returns electronically using the Department's online [file and pay](http://www.ncdor.gov). (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → File and pay now)

Checklist:

- Verify the preprinted form is completed and submitted for the correct tax period.
- If you do not have a preprinted form, visit the following link to access a blank sales and use tax return: [Form E-500, Sales and Use Tax Return](http://www.ncdor.gov). (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → Download Forms and Instructions - blue tab on right → Tax Return Forms & Schedules → Form E-500)
- Verify the filing frequency and the due date of your return. The filing frequency and due date is located in the upper left hand corner of your preprinted form. The general filing frequencies and due dates are on the Department's website at the following link: [Filing Frequencies & Due Dates](http://www.ncdor.gov) . (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → Filing Requirements and Payment Options → Filing Frequency and Due Dates)
- Verify the tax rate for the county or counties in which you operate a business, make deliveries, or ship products to customers. Visit the link below to access an electronic copy of Form GEN-562 sorted alphabetically by city to review tax rates for counties: [Form GEN-562 \(by city\)](http://www.ncdor.gov) . (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → Tax Rates & Other Information → Taxes Rates → By Alphabetical City → Form Gen 562)
- File one return for each account number for each tax period.
- Do not submit a paper return for a tax period in addition to filing a return electronically for the same tax period.
- Ensure the check or money order indicates the filing period and account number in the memo area.
- If you do not owe any tax for a filing period, file a return showing zero (0.00) on Line 21.
- For tax due returns, does the check or money order amount equal the amount due per Line 21 of the completed sales and use tax return?
- File the return and pay the amount due by the due date to avoid penalties and interest.

- Is the return filed after the due date? If so, review the instructions for Lines 16 and 17 in the coupon booklet to determine the proper penalties and interest due.
- If you have transacted business in or shipped product to more than one county, complete [Form E-536, Schedule of County Sales and Use Taxes](#) from the list of forms and submit with Form E-500, Sales and Use Tax Return. (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → Download Forms & Instructions – blue tab on right → Tax Return Forms & Schedules → Form E-536)
- Include a detailed explanation and supporting documentation on a separate sheet of paper for tax credits claimed on Line 20 of the return. Failure to do so may result in a disallowance of the credit amount.
- Check your numbers for math errors.
- If you have overpaid** your tax liability for a previously filed period, complete [Form E-588, Business Claim for Refund State and County Sales and Use Taxes](#). (www.ncdor.gov → Taxes & Forms → Sales & Use Tax → Amended Returns and Refund Claims → Form E-588)
- If you have underpaid** your tax liability for a previously filed period, use one of the two preprinted forms marked “Amended Return” in the coupon booklet or write “Amended” at the top of a Form E-500 to report corrections for that period. The amended return should reflect your figures as corrected.
- Ensure the return is filled out completely.
- Ensure handwritten numbers are legible.
- Ensure the return is signed and reflects the current date.